

Arizona Senate Appropriations Committee

Senator Robert “Bob” Burns, Chairman



Carolyn Atwater, Research Analyst

Erica Solsten, Intern

APPROPRIATIONS COMMITTEE

Forty-seventh Legislature
Second Regular Session

LEGISLATION ENACTED

technical correction; double punishment (NOW: appropriation; alternative teacher development program) (S.B. 1184) – Chapter 359

Appropriates \$2 million from the state General Fund in FY 2006-2007 to the Arizona Department of Education (ADE) for an Alternative Teacher Development Program (Program), established by the State Board of Education, that places highly qualified individuals in teaching positions in low income schools through the distribution of matching grants not to exceed the amount of the appropriation. The selected Program service providers must annually report to the ADE on specific criteria and must annually report to the Governor and Legislature on the effectiveness of the Program, including academic achievement gain data of students served by Program teachers as compared to beginning teachers in the same school. Terminates the program on July 1, 2016.

claims adjustment; technical correction (NOW: Arizona department of homeland security) (S.B. 1264) – Chapter 317

Establishes the Arizona Department of Homeland Security (DHLS) to formulate policies, plans and programs to enhance the ability of Arizona to prevent and respond to acts of terrorism and other critical hazards, including developing a statewide homeland security strategy (SHSS). The Director of DHLS is appointed by the Governor and subject to Senate confirmation. Establishes a Joint Legislative Committee on Homeland Security (JLCHS), DHLS Coordinating Council and five DHLS Regional Advisory Councils. Specifies membership, powers and duties of each organization.

Requires DHLS to receive all federal monies appropriated or granted to Arizona for homeland security purposes and distribute the monies based on criteria contained in the SHSS. Requires DHLS and the Arizona Department of Health Services to annually report on homeland security fund allocations and expenditures to the Governor, the Legislature and the JLCHS.

inactive state funds; elimination (S.B. 1385) – Chapter 87

Requires the Arizona Department of Administration or the applicable state agency to eliminate and delete 116 inactive state funds. Any remaining monies in these funds revert to the state General Fund.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~appropriation; revenue sharing equity~~ (NOW: county development fees; report) (S.B. 1413) – Chapter 223

Requires each county that assesses development fees to submit an annual report accounting for the collection and use of the fees. Specifies reporting requirements and applies these new reporting requirements to fees adopted after May 18, 2000.

~~eminent domain; fees and costs~~ (NOW: English language learners) (H.B. 2064) – Chapter 4

An emergency measure that appropriates state General Fund monies as listed below for English Language Learner (ELL) programs and administration. The bill creates the eight-member Arizona English Language Learners Task Force to develop and adopt research based models of structured English immersion and requires school districts and charter schools to submit budget requests for the newly created Arizona Structured English Immersion Fund and the Statewide Compensatory Instruction Fund (SCIF). The bill codifies portions of the *Flores v. State of Arizona* consent decree related to the ELL monitoring duties of the Arizona Department of Education (ADE) and requisite teacher qualifications and professional development. Additionally, the bill contains a conditional enactment to increase the Group B ELL weight from .115 to .140 in FY 2006-2007 and limits the funding to an ELL pupil to no more than two fiscal years.

	FY 2006	FY 2007
SCIF Fund	\$ 0	\$10,000,000
ADE	2,555,000	4,610,000
Auditor General	0	2,500,000
Group B ELL increase	0	14,300,000
Total:	\$2,555,000	\$31,410,000

~~state budget estimates; report~~ (H.B. 2187) – Chapter 130

Requires the State Treasurer's estimate of the invested balance, including the state General Fund share, to be included in the report submitted on receipts and expenditures of all public monies. It also requires the Director of the Arizona Department of Administration (ADOA) and the State Treasurer to submit to the Joint Legislative Budget Committee an additional report of differences between ADOA's annual fiscal report and the State Treasurer's estimate of the invested balance on or before February 1 of each year.

~~state claims; technical correction~~ (NOW: named claimants; appropriations) (H.B. 2257) – Chapter 328

Appropriates the sum of \$309,382.61 from the state General Fund for the payment of claims made against several state agencies in FYs 2001-2002 through 2003-2004.

~~Arizona centennial; funds; appropriation~~ (NOW: health and welfare; budget reconciliation) (H.B. 2371) – Chapter 331

Makes statutory and session law changes related to health and welfare issues to implement the FY 2006-2007 budget.

APPROPRIATIONS COMMITTEE (Cont'd.)

Arizona Health Care Cost Containment System (AHCCCS) – Continues the requirement that AHCCCS redetermine eligibility every six months, for adults age 21 and older, for Temporary Assistance for Needy Families (TANF) cash benefits.

Includes the phased-down state contribution for the Medicare clawback in the calculation of the Arizona Long-Term Care System (ALTCS) costs. Sets the contributions for ALTCS by county. Continues the disproportionate share hospital payment program and sets the withholding amount from state shared revenue at \$84,652,400. Decreases Maricopa County's FY 2006-2007 acute care contribution by \$767,000 below FY 2005-2006. Continues county contributions for various programs at FY 2005-2006 levels.

Requires AHCCCS to issue a request for proposals and allows AHCCCS to execute a contract to privatize eligibility and redetermination services by March 31, 2007, subject to Joint Legislative Budget Committee (JLBC) review.

Requires AHCCCS to evaluate the methodology used to reimburse hospitals for extraordinary operating costs and report to the JLBC on specified factors by October 15, 2006.

Continues eligibility for parents of children in KidsCare for one year. Requires parents to pay premiums on a monthly basis that are tiered based on household income.

Department of Health Services (DHS) – Makes permanent, subject to legislative appropriation, the deposit of 40 percent of monies collected for copies of vital records certificates into the Vital Records Electronic Systems Fund (Fund), rather than into the state General Fund. For FY 2006-2007, limits Fund revenue to \$500,000 and allows DHS to use the balance of the Fund.

Requires DHS to report to the JLBC by July 1, 2007, on whether DHS intends to privatize the Arizona State Hospital. Continues to require Maricopa and Pima counties and all cities to pay 86 percent of restoration to competency costs. Eliminates the requirement that all other counties pay for restoration to competency costs. Repeals the suicide prevention program.

Appropriates \$3 million in FY 2006-2007 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for community health centers.

Department of Economic Security (DES) – Requires unexpended and unencumbered monies remaining from the \$1 million appropriated in FY 2005-2006 to the DES Adoption Services – Family Preservation Projects Special Line Item to revert to the federal TANF Block Grant at the end of FY 2005-2006. Requires DES to revert \$800,000 from its FY 2006-2007 Division of Employment and Rehabilitation Services state General Fund (GF) operating budget if statutory requirements for child care assistance eligibility and payments for child care assistance have not been fully implemented.

Continues to allow DES to reduce income eligibility levels for child care assistance and requires DES to notify JLBC of any changes within 15 days of implementation of the change.

APPROPRIATIONS COMMITTEE (Cont'd.)

Workforce Development – Adds a summary of annual spending by state government on workforce development to the annual report of the Governor's Council on Workforce Policy.

Autism Services – Appropriates \$200,000 in FY 2006-2007 to DES from the Medically Needy Account of the Tobacco Tax and Health Care Fund for specified autism services for children who have or are at risk of having autism.

Appropriates \$2.3 million in FY 2006-2007 to DHS from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2006-2007 through contracts with specified providers for autism services for children ages five years and under who have or are at risk of having autism.

Requires DES and DHS to each conduct an evaluation of the children's autism services provided and report on specified information.

Graduate Medical Education – Appropriates \$4 million GF and \$12 million in total expenditure authority in FY 2006-2007 to AHCCCS to expand existing residency programs to develop new programs. Specifies priorities for the distribution of monies. Programs that receive the new funding must report to the AHCCCS Administration the number of new residency slots created; the AHCCCS Administration must report these numbers to the JLBC annually.

Appropriates \$1 million GF in FY 2006-2007 to AHCCCS for a Hospital Loan Program for residency program start-up and ongoing costs in accredited hospitals. Establishes criteria for hospitals to receive the loans, loan amounts and loan repayment policies.

State Employee Health Insurance – Requires the Arizona Department of Administration's (ADOA) annual report on the Special Employee Insurance Trust Fund to include specified actuarial assumptions and methodology. Prohibits ADOA from implementing a differentiated health insurance premium based on the integrated or nonintegrated status of a state employee health insurance provider. Prohibits ADOA from making changes to the benefit design of the health insurance benefit program in FY 2006-2007 unless the changes have been approved by the Legislature.

Miscellaneous – Limits capitation rate adjustments for AHCCCS, ALTCS, programs for persons with developmental disabilities and mental health programs to inflation and changes in utilization of existing services unless policy changes, including the creation or expansion of programs, are approved by the Legislature or are specifically required by federal law or court mandate.

Prohibits members of the State Board of Chiropractic Examiners from receiving compensation as an agent or employee of or contractor for an insurance company but allows compensation for patient care.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~federal monies; technical correction~~ (NOW: fire suppression; land department; appropriation) (H.B. 2395) – Chapter 269

Provides the following supplemental appropriations for FY 2005-2006 to the State Land Department from the state General Fund: 1) \$2,200,000 for new fire suppression services and 2) \$4,000,000 for outstanding fire suppression expenses.

~~heritage funds; encumbrances~~ (NOW: Arizona welcome center; Yuma; appropriation) (H.B. 2509) – Chapter 335

Appropriates \$2 million from the state General Fund in FY 2006-2007 to the Office of Tourism for distribution to the City of Yuma as start-up capital to establish an Arizona Welcome Center (Center); no more than \$500,000 may be used for planning and design. Conditions the appropriation on the Joint Legislative Budget Committee being notified that all plans for the Center have been delivered to the City and the City has received ownership of the property.

~~alcohol tax; substance abuse treatment~~ (NOW: substance abuse treatment; appropriations) (H.B. 2554) – Chapter 337

An emergency measure appropriating a total of \$8 million from the state General Fund in FY 2006-2007 to various agencies to stem the growth of methamphetamine use, specifically:

Department of Health Services (DHS) – Appropriates \$2.5 million to the Addiction Reduction and Recovery Fund (Fund), for DHS to distribute to regional behavioral health authorities for rural detoxification programs and substance abuse and addiction prevention programs. Also appropriates \$500,000 to DHS to distribute to a statewide alliance of community based organizations that provides substance abuse prevention programming to children in rural, urban and Indian communities and military bases in Arizona.

Arizona Criminal Justice Commission (ACJC) – Appropriates \$3 million to ACJC to distribute to counties based on population for investigation, training, prosecution, abuse, treatment or education programs. No county shall receive less than \$50,000.

Department of Economic Security (DES) – Appropriates \$2 million to DES for the Arizona Families F.I.R.S.T. program for substance abuse treatment.

DES and ACJC shall report quarterly to the Governor and Legislature on the effectiveness of the distributed monies.

~~family assistance; eligibility; citizenship~~ (NOW: homelessness trust fund; repeal; appropriation) (H.B. 2594) – Chapter 243

Repeals the Homeless Trust Fund (Fund) and its oversight committee and repeals the mortgage servicing check off. Appropriates the remaining monies in the Fund to the Department of Economic Security for distribution as follows: 1) \$400,000 to an integrated services campus in Maricopa County; 2) \$200,000 for services to the working poor and homeless in Pima County; and 3) \$250,000 and all remaining monies for distribution to rural counties. Requires the

APPROPRIATIONS COMMITTEE (Cont'd.)

distribution of the monies to the counties to be matched dollar for dollar with private or local government monies.

general appropriations; fiscal year 2006-2007. (H.B. 2863) – Chapter 344

Funds state agencies for the FY 2006-2007 budget, including additional funding over FY 2005-2006 totaling \$1.3 billion from the state General Fund (GF):

Department of Administration – Appropriates \$6.2 million GF and \$4 million from other funds (OF) for AZNET, the Arizona statewide telecommunications network.

Arizona Health Care Cost Containment System – Net increase of \$150 million, which includes \$110 million for caseload adjustment and \$3 million to offset tobacco settlement reductions. Also appropriates \$10.3 million GF and \$18.8 million OF for KidsCare and KidsCare parents.

Community Colleges – Fully funds formulas in the amounts of an additional \$4.2 million for operating state aid, an additional \$2.6 million for equalization aid and an additional \$3.7 million for capital outlay state aid. From the total \$3.7 million capital outlay amount, \$3 million is earmarked for law/fire academy capital.

Department of Corrections – Adds a total of \$59 million GF for increased population growth, a correctional officers' pay increase, funding of new beds, inmate health care, increased gasoline costs and other operating expenses. Of this amount, \$15.6 million backfills expiring federal Violent Offender Incarceration/Truth-in-Sentencing (VOITIS) monies.

Arizona Schools for the Deaf and the Blind (ASDB) and Commission for the Deaf and the Hard of Hearing – Appropriates \$1.26 million for dormitory air conditioning, buses and devices for ASDB classroom activities. Adds \$991,400 GF to backfill the elimination of the telecommunication excise tax (TET) funding for ASDB. Also deposits \$850,000 GF into the TET to backfill diminished amounts.

Department of Economic Security – Adds a total of \$76 million, which includes \$6.8 million for aging and community services, \$10.8 million for JOBS/child care, \$11 million for children, youth and families, and \$24 million for developmental disabilities.

Department of Education – Adds a total of \$424 million, which includes the following amounts: \$217 million for basic state aid and other formula growth (plus an additional base level adjustment of \$100 million in H.B. 2874), \$5 million for adjustments in Group B weights, \$3 million for additional assistance for charter schools, \$2.5 million for contracted Arizona Department of Education information technology, \$3 million for achievement testing, \$10.2 million for Truth in Taxation revisions and \$846,000 for increased joint technological education district funding.

Department of Environmental Quality – Adds a total of \$7 million, which includes the following amounts: \$500,000 for the Hazardous Management Program; \$4 million to fully fund

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the Water Quality Assurance Revolving Fund; \$200,000 to fund contracts for water quality permitting staff; and \$1.7 million for the Maricopa/Pima/Pinal travel reduction.

Department of Health Services – Adds a total of \$59 million, which includes: \$9 million for public health for additional staffing, laboratory services, Alzheimer's research, grants to nonprofit agencies to assist women in seeking alternatives to abortion, eliminating costs to rural counties for funding of restoration of competency, and abstinence education; and a total of \$35 million for behavioral health caseload and capitation rate inflation, salary increases at the Arizona State Hospital, psychotropic health prescriptions and backfilling the Arizona State Hospital Fund.

Judiciary – Adds the following amounts: \$5.4 million for additional judge positions, drug court, judicial salary increases, equipment and building lease increases and \$2 million to backfill Judicial Collection Enhancement Fund reductions.

Department of Juvenile Corrections – Adds \$4.3 million for a Youth Correction Officer salary increase, population growth, a reduction in interest earnings and completion of suicide prevention renovations related to a 2003 federal audit and lawsuit.

State Land Department – Adds \$3.7 million for technical expertise and trust land management, safety and effectiveness of fire suppression and natural resource conservation districts (NRCD).

State Parks Board – Adds \$2.65 million to offset projected shortfalls in revenues and \$700,000 for Kartchner Caverns State Park.

Department of Public Safety (DPS) – Adds a total of \$112 million. Of this, \$33 million is to shift funding from the State Highway Fund (SHF) to the GF and \$54 million from the Highway User Revenue Fund (HURF) to the GF, thereby funding DPS from the SHF and HURF at its statutory cap. The \$112 million also contains amounts for the Gang and Immigration Intelligence Team Enforcement Mission, sex offender monitoring, additional highway patrol officers, additional staff positions and 911 call takers, and a fuel budget deficit.

School Facilities Board – Adds \$24 million to make the FY 2006-2007 debt service payment on all existing new school construction lease-purchase agreements.

Department of Transportation – Deposits \$307 million in the SHF to accelerate highway construction. Adds a total of \$4 million from the SHF for various Motor Vehicle Division programs and \$2.8 million for maintenance of new highway miles.

Universities – For enrollment growth, adds \$18.4 million GF and \$11 million OF for ASU and \$1.4 million GF and \$856,000 OF for UA. For a university discretionary adjustment, adds \$10.6 million for ASU, \$3.2 million for NAU and \$6.2 million for UA.

Department of Veterans' Services – Adds a total of \$1.5 million for veterans' benefit counselors, and construction and maintenance of veterans' cemeteries.

APPROPRIATIONS COMMITTEE (Cont'd.)

Department of Water Resources – Deposits \$13.5 million to the Water Banking Fund for Indian water firming rights. Adds \$500,000 for adjudication support and \$500,000 for groundwater monitoring.

Other – Adds \$107 million for border projects, of which \$105 million is for four crime labs. Adds \$28.7 million GF and \$10.6 million OF for the employer share of a health insurance increase. Adds \$27.6 million GF and \$9.3 million OF for the employer's share of a retirement increase. Adds \$130 million GF and \$39 million OF to annualize the previously enacted salary increase. Deposits \$9.8 million into the Budget Stabilization Fund.

supplemental appropriations; budget reconciliation. (H.B. 2864) – Chapter 316

Effective June 8, 2006, makes multiple appropriations to various agencies in FY 2005-2006, including the following from the state General Fund (GF):

Agency	Purpose	Amount
Department of Education	Basic State Aid Entitlement	\$16,706,500
Department of Health Services (DHS)	Title XIX behavioral health program	2,500,000
	Medicare Clawback Payments	3,715,200
Department of Revenue	Kerr Lawsuit	975,000
Department of Corrections	Overtime and Compensatory Time	6,427,800
Department of Administration	Health and dental insurance premiums	10,000,000
Judiciary	Expenses of grand jury and postconviction	388,700

Requires the Arizona Health Care Cost Containment System to make additional disproportionate share payments of \$16 million to qualifying county-operated hospitals and requires the State Treasurer to withhold that amount from Maricopa County's share of state transaction privilege tax 2005-2006 revenues. Also, reduces the FY 2005-2006 appropriation to DHS from the Poison Control Fund by \$350,000 but backfills that amount with state GF monies.

capital outlay; fiscal year 2006-2007. (H.B. 2865) – Chapter 345

Makes session law changes related to capital outlay necessary to implement the FY 2006-2007 state budget, including the following amounts for building renewal:

Agency	Fund	Amount
Board of Regents	State General Fund (GF)	\$20,000,000
Department of Administration (ADOA)	GF	3,849,200
	Capital Outlay Stabilization Fund	3,400,000
Department of Transportation (ADOT)	State Highway Fund	3,627,100
	State Aviation Fund	75,800
Arizona Exposition and State Fair Board	Arizona Exposition and State Fair Fund	1,508,400
Game and Fish (G&F) Department	G&F Fund	430,800
Arizona Lottery Commission	State Lottery Fund	53,600

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Also appropriates the following amounts in FY 2006-2007 for major capital projects:

Agency	Purpose	Fund	Amount
ADOA	Prison cell locks and cell doors	GF	\$5,200,000
	Yuma prison water treatment plant upgrade	Corrections Fund	2,189,000
G&F	Flood warning system	G&F Capital Improvement	350,000
	Black Canyon Dam modifications	G&F Capital Improvement	300,000
	Shooting range access improvements	G&F Capital Improvement	200,000
	Migratory waterfowl habitat	Waterfowl Conservation Fund	100,000
	Cluff Ranch access improvements	G&F Fund	50,000
	Yuma storage canopy	G&F Fund	35,000
	Yuma office security system	G&F Fund	30,000
	House Rock driveway surfacing	G&F Fund	25,000
	Statewide preventative maintenance	G&F Fund	15,000
	Flagstaff office parking gate	G&F Fund	10,000
	Yuma office fence	G&F Fund	10,000
ADOT	Statewide highway construction	State Highway Fund	226,273,000
	Airport planning and development	State Aviation Fund	20,464,200
	Grand Canyon Airport modular housing	State Aviation Fund	2,500,000
	Glendale Airport infrastructure	State Aviation Fund	200,000
	Surprise MVD Service Center	State Highway Fund	2,736,200
	Asphalt storage tanks	State Highway Fund	1,587,600
	De-icer buildings	State Highway Fund	1,478,000

Department of Economic Security (DES) – Conveys real property previously owned by the City of Prescott at 234 Grove Avenue to DES and allows DES to retain proceeds for moving costs and to acquire other real property for office space as the Director deems necessary. Appropriates \$450,000 GF in FY 2006-2007 to DES for distribution to the Navajo Tribe for a multipurpose facility at the Dennehotso chapter. Requires a dollar for dollar match from the Navajo Nation.

ADOT – Establishes the Statewide Transportation Acceleration Needs Account for construction or reconstruction of freeways, state highways, bridges and interchanges contained in the regional transportation plan of a county or ADOT's long-range statewide transportation plan. Allocates 60 percent of monies to Maricopa County, 16 percent of monies to Pima County and 24 percent of monies to all other counties. Also appropriates \$1.1 million GF in FY 2006-2007 to ADOT for intersection improvements near the former Williams Air Force Base and a fire suppression system service line at Williams Gateway Airport.

Department of Public Safety (DPS) – Appropriates the following amounts in each of FYs 2006-2007 through 2008-2009 to the following departments for distribution to DPS for the design, construction and implementation of a microwave communications system upgrade:

Agency	Fund	Amount
DPS	GF	\$1,500,000
ADOT	State Highway Fund	826,000
G&F	G&F Fund	207,000

Arizona Department of Water Resources (ADWR) – Appropriates \$1.5 million GF to ADWR in FY 2006-2007 to repair the City of Williams Dam. These monies shall be used along with \$136,000 in local monies and in-kind contributions.

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Miscellaneous – Appropriates \$400,000 GF in FY 2006-2007 to the Prescott Historical Society for planning, design and construction of a maintenance and workshop facility and requires a dollar for dollar match from nonstate sources. The bill also appropriates \$8 million GF in FY 2007-2008 to Legislative Council for completion of the Polly Rosenbaum State Archives and History Building and \$19 million GF in FY 2006-2007 to the Arizona State Schools for the Deaf and the Blind for new facilities and building renovations at the Phoenix and Tucson campuses.

budget procedures; budget reconciliation. (H.B. 2866) – Chapter 346

Establishes the State Web Portal Fund (Fund) and appropriates all monies in the Fund to the Government Information Technology Agency for the state web portal. The bill also requires, for specified agencies, the Governor's Office of Strategic Planning and Budgeting to submit proposed program budgeting structures to the Joint Legislative Budget Committee staff. Requires all state agencies to include an executive summary with their five-year strategic plans.

case settlements; budget reconciliation. (H.B. 2867) – Chapter 347

Allocates \$94.8 million in FY 2006-2007 to the Department of Revenue (DOR) for payments and costs associated with *Ladewig v. State of Arizona*. DOR may use up to \$1 million of this amount for administration after review by the Joint Legislative Budget Committee. Also allocates \$15 million in FY 2006-2007 to DOR for payments associated with *Kerr v. State of Arizona*. Reverts any unused amounts from prior fiscal years to the state General Fund and requires DOR to deposit in the state General Fund any unclaimed property for FY 2006-2007 that is associated with either case.

criminal justice; budget reconciliation. (H.B. 2868) – Chapter 348

Requires the Arizona Department of Administration (ADOA) to issue a request for proposals and execute a contract by June 30, 2007, for 3,000 prison beds to be opened in April 2008. Allows the Arizona Department of Corrections (ADC) and private prison vendors to bid for all or a portion of the beds and allows the ADOA to award contracts to multiple bidders. Outlines specific deadlines for the contracting process. Appropriates \$11.193 million from the state General Fund (GF) in FY 2007-2008 to ADOA for bed per diem costs if a contract for the private prison beds is executed by June 30, 2007.

Requires ADC to report on certain expenditures for each line item delineated in the FY 2006-2007 General Appropriations Act (H.B. 2863), in as much detail as submitted in previous years for prior line items, when ADC submits its FY 2007-2008 budget request.

Effective July 1, 2006, the pro rata share of payroll funds contributed by state agencies to the Attorney General Legal Services Cost Allocation Fund (AGLSCA) is increased to 0.635 percent. Also, exempts additional agencies from contributing to AGLSCA and redefines "total payroll." Continues to allow the Attorney General to use Collection Enforcement Revolving Fund monies for operating expenses in FY 2006-2007.

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Continues to redirect nine percent of the Criminal Justice Enhancement Fund, formally deposited into the GF, to the Department of Public Safety for the crime lab system.

Continues to require the state to pay 38.5 percent of the compensation and employee related expenditures of justices of the peace; each county pays the remaining 61.5 percent and the full amount of the employer's retirement or county health plan contribution in FY 2006-2007.

Requires, in any proceeding in which a state statute, ordinance, franchise or rule is alleged to be unconstitutional, the Legislature to be served with a copy of the pleading, motion or document containing the allegation. Permits the Speaker or President, if not timely served, to ask the court to vacate any finding of unconstitutionality and to be heard.

environmental protection; budget reconciliation. (H.B. 2869) – Chapter 349

Allows federal, state, county, municipality or school district fleet managers to earn credits toward the state mandate of alternative fuel vehicle purchases by purchasing specified amounts of biodiesel fuel, diesel substitute fuel or an ethanol or methanol blend fuel.

Establishes the Due Diligence Fund to pay the State Land Department's costs of evaluating and processing sales, leases, rights-of-way or other use permits.

Suspends the statutory Underground Storage Tank Assurance Account (Account) administrative cap, set at \$5.7 million or 21 percent of the monies received by the Account, for FY 2006-2007. Authorizes the Arizona Department of Environmental Quality to transfer \$6,331,000 from the Account for administrative costs for the Underground Storage Tank Leak Prevention Program and funding for the Used Oil Program.

Suspends the statutory Livestock and Crop Conservation Fund (Fund) five percent administrative cap for FY 2006-2007. Allows the Arizona Department of Agriculture to use up to ten percent of the Fund to administer the Livestock Crop Conservation Program.

Restricts the use of State Lake Improvement Fund monies to waters where gasoline-powered boats are permitted. Allows State Park Enhancement Fund monies to be used in FY 2006-2007 for capital purposes.

Requires, for each year the Arizona Water Banking Authority (AWBA) is owed or receives monies pursuant to an interstate water banking agreement with the State of Nevada or an agency or political subdivision thereof, the AWBA to submit a report to the Joint Legislative Budget Committee that accounts for all of the monies received pursuant to the agreement and all disbursements made with those monies.

APPROPRIATIONS COMMITTEE (Cont'd.)

state government; budget reconciliation. (H.B. 2870) – Chapter 350

Appropriates the following amounts from the state General Fund (GF) in FY 2006-2007 to the following agencies:

Agency	Purpose	Amount
Administration, Arizona Department of	Employee wellness program	\$ 500,000
AHCCCS	211 phone system	1,900,000 & 5 FTEs
	Imaging system equipment	200,000
	Computer replacement system	200,000
Attorney General	Operating expenditures	500,000
	Case management system redesign	1,000,000
	Prosecution of trafficking & ID theft	1,300,000 & 18 FTEs
Community Colleges	Out-of-county community college tuition	1,000,000
Corrections, Department of	Corrections equipment	1,000,000
Economic Security, Department of	Citizenship verification	5,200,000 & 28.8 FTEs
	Children services	14,420,000
	Summer youth employment and training	1,000,000
	Navajo senior center	350,000
	Adult protective services workers	1,500,000 & 30 FTEs
	Independent living for seniors	2,300,000
	Kinship program	1,000,000
	Development disabled dental pilot program	1,000,000
Education, Department of	Master teacher program	1,000,000
Environmental Quality, Department of	Small rural water systems	750,000
Government Information Technology Agency	E-health initiative	1,500,000
Health Services, Department of	Vaccines	4,400,000
	Modular rural dental building	200,000
	High risk perinatal services	1,800,000
	Child care licensing	400,000 & 8.5 FTEs
	Teratogen services	60,000
	Laboratory services	520,000 & 4.6 FTEs
	Seriously mentally ill housing	2,500,000
	Diabetes education	1,000,000
Legislative Council	Arizona centennial celebration planning	2,500,000
Regents, Arizona Board of	Financial aid trust fund	5,000,000
Revenue, Department of	Business re-engineering/integrated tax system	1,200,000
Universities	Water institute	1,500,000 & 15 FTEs

This measure also modifies the notice requirements for unclaimed property and authorizes the placement of a Bill of Rights monument in Wesley Bolin Plaza.

general revenues; budget reconciliation. (H.B. 2871) – Chapter 351

Appropriates \$727,677,400 in FY 2008-2009 from the state General Fund (GF) for deposit in the Urban Revenue Sharing Fund; \$10,549,800 of this appropriation is to compensate for a FY 2002-2003 and FY 2003-2004 reduction in the distribution percentage. Appropriates \$850,000 GF in FY 2006-2007 to the Department of Revenue for distribution to towns with a

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population of 1,500 persons or less. Repeals the Arizona State Schools for the Deaf and the Blind Telecommunications Tax Fund and eliminates automatic deposits of transaction privilege tax receipts to the Arts Endowment Fund.

Effective June 30, 2007, limits required deposits to the Facility Revenue Clearing Account to one-twelfth of the reported football franchise net revenues from the previous year. Deposits up to \$18 million of lottery funds in the Local Transportation Assistance Fund only after the GF receives \$37 million in Lottery funds.

Specifies, retroactive to June 30, 2006, that the tax levied on a telecommunications company's sales or gross income derived from the business of providing exchange access services is 1.1 percent and requires these revenues to be used to finance telecommunications devices for the deaf and the severely hearing and speech impaired. Repeals tax use from Poison Control, School for the Deaf and Blind and teratogen. Increases the June estimated tax liability payment threshold to \$1 million and requires, retroactive to May 1, 2006, any unrestricted federal monies received from May 1, 2006, through June 30, 2007, to be deposited in the GF.

higher education; budget reconciliation. (H.B. 2873) – Chapter 352

Universities – Establishes exemptions for undergraduate students with earned credits that exceed the credit hour threshold who are currently excluded from the state enrollment funding calculation for public universities.

Arizona Board of Regents (ABOR) – Authorizes ABOR to secure indirect debt financing for any capital project if the project is both reviewed by the Joint Committee on Capital Review and the term of the financing does not exceed 40 years or the useful life of the improvements, whichever is less.

Requires ABOR to produce various reports on: 1) number of students exceeding the credit hour threshold; 2) certified enrollment of full-time equivalents; 3) Arizona State University Downtown Phoenix Campus; and 4) financial aid.

Eliminates the requirement that professors certify rosters; instead requires ABOR to recommend by June 30, 2006, whether each professor should be required to review class rosters and make additions and deletions as necessary.

Community Colleges – Expands the annual report that each community college submits to the Governor and the Joint Legislative Budget Committee to now also include a copy to the President of the Senate and the Speaker of the House of Representatives and includes new detailed items pertaining to content, enrollment and tuition and fees for credit and noncredit courses.

Decreases the operating state aid for Gila Provisional Community College District for five years beginning in FY 2006-2007 at an amount of \$72,364 annually to reimburse the state for Proposition 301 workforce development monies received in error.

APPROPRIATIONS COMMITTEE (Cont'd.)

Board of Medical Student Loans (Board) – Repeals the Board's authority to grant future scholarships from the Medical Student Scholarship Fund and transfers all remaining monies to the Medical Student Loan Fund. Existing contracts for students receiving scholarships are preserved.

Modifies the program requirements of the Medical Student Loans Program to: 1) eliminate preference to qualified applicants who have financial need; 2) require loans to be distributed on a first-come, first-served basis; 3) remove the limit of 40 loans granted annually; 4) require that at least 50 percent of the loan money be allocated for private medical school students; 5) increase the annually adjusted living allowance; and 6) allow contracted services in any specialty field approved by the Board.

Miscellaneous – Prohibits medical schools in Arizona from restricting their associated hospitals from offering clinical rotations to any qualified medical student.

Extends the reporting date of the Joint Study Committee on Medical School Education (Committee) to December 15, 2006, and repeals the Committee on January 1, 2007.

Requires all public postsecondary institutions to publicly post all employment openings for FY 2006-2007 to contain the title and description, application instructions and contact information.

Appropriates \$5 million from the state General Fund to the Arizona Commission for Postsecondary Education (ACPE) in FY 2006-2007 to create the Postsecondary Education Grant Program (Program) to provide a \$2,000 award annually for any Arizona resident to pay for tuition, books or fees towards a baccalaureate degree at a four-year degree granting private postsecondary institution in Arizona. Requires ACPE to report annually on the Program to the Governor and Legislature. Terminates the Program on July 1, 2016.

K-12 education; budget reconciliation. (H.B. 2874) – Chapter 353

Makes statutory and session law changes necessary to implement the FY 2006-2007 state budget, including:

K-12 Funding – Increases by 4.3 percent the amount of additional assistance for charter schools and increases the base level for all public schools by approximately 4.4 percent. Increases the state Transportation Support Level by 2 percent per mile. Continues to require the Arizona Department of Education (ADE) to reduce the amount of rapid decline funding that a school district would otherwise receive by 50 percent. Increases the Group B weight for pupils with multiple disabilities, orthopedic impairments and pupils with emotional disabilities. Repays the K-12 rollover of \$191 million.

Allows a school district to correct the Teacher Experience Index (TEI) data for the current budget year between March 15 and April 15 if a letter of explanation is submitted to the Superintendent of Public Instruction and the Chairman of the Joint Legislative Budget Committee (JLBC). Exempts the Prescott Unified School District from the April 15, 2006, time limitation to revise incorrectly submitted TEI data.

APPROPRIATIONS COMMITTEE (Cont'd.)

Appropriates \$215.2 million from the state General Fund (GF) in FY 2006-2007 to offset the suspension of the county equalization assistance for education tax rate. Extends the “soft cap” on school districts’ budgeting for desegregation activities for FY 2006-2007. Prohibits a school district or charter school from revising upward its average daily membership (ADM) count after June 30 of the next school year. Authorizes the ADE or the Auditor General to conduct ADM audits of public schools in FY 2006-2007.

Full-Day Kindergarten – Eliminates the Full-Day Kindergarten Fund and grant program. Creates a kindergarten Group B weight and appropriates \$118,050,000 GF in FY 2006-2007 to allow a school district or charter school to offer full-day kindergarten, but requires the school district to also offer an academically meaningful half-day kindergarten program. Requires a school district or charter school that offers a full-day kindergarten program to provide any capital monies necessary to implement the program. Parents may choose either a half-day or full-day kindergarten program.

Joint Technological Education District (JTED) – Caps the maximum state aid amount for a JTED in FY 2006-2007 at 102 percent of the amount paid in FY 2005-2006 after any reductions or adjustments or double the amount of its qualifying tax rate revenues for FY 2006-2007, whichever is greater. Retroactive to July 1, 2006, prohibits a JTED from levying a tax rate in FY 2006-2007 greater than the tax rate it levied in FY 2005-2006. Continues the prohibition on a school district from joining, voting to join or forming a JTED in FY 2006-2007, but exempts Pima County.

School District Reporting – Requires each school district to develop, adopt and submit a plan by July 18 of each year, accounting for the school district’s expenditures and direct operational costs for utilities at a public meeting where the budget is adopted. The plan must also include a per pupil cost for those expenditures and, for those school districts that budget for excess utilities, a review of the financial goals and plan to enable the school district to pay for all utility costs within their Revenue Control Limit by 2009, which is submitted to ADE and included in a statewide report for JLBC by December 1 of each year.

School Facilities Board – Appropriates, retroactive to July 1, 2006, \$86,283,500 GF in FY 2006-2007 to the Building Renewal Fund. Repeals, retroactive to May 16, 2006, the authority of the School Facilities Board and local school districts to enter into lease-to-own transactions for new school construction. Retroactive to July 1, 2006, states that the Legislature does not intend to fund payments on any lease-to-own transactions for new school facilities entered into in FY 2006-2007.

Miscellaneous – Appropriates \$1,865,400 from the School Improvement Revenue Debt Service Fund in FY 2006-2007 to ADE for Hayden Winkelman Unified School District (HWUSD) to redeem outstanding bonds and requires repayment to the state in three annual installments beginning on July 1, 2008. Caps, through July 1, 2015, the maximum primary tax rate that HWUSD can levy at \$11.8875 minus any reductions resulting from truth in taxation laws and prohibits HWUSD from proposing or conducting an election to approve a budget override, bonds or any other indebtedness.

APPROPRIATIONS COMMITTEE (Cont'd.)

Allows the Gila Bend Unified School District to repay a budget miscalculation in five years, instead of two, beginning in FY 2006-2007 for a total amount between \$650,000 to \$700,000 with accrued interest over the five-year period.

VETOES

ELL; SEI models; budget requests. (S.B. 1198) – VETOED

Appropriates approximately \$2.6 million in FY 2005-2006 and \$31.4 million in FY 2006-2007 from the state General Fund for English Language Learner (ELL) programs and administration. The bill further creates the eight-member Arizona English Language Learners Task Force to develop and adopt research based models of structured English immersion and requires school districts and charter schools to submit budget requests for the newly created Arizona Structured English Immersion Fund and the Statewide Compensatory Instruction Fund. Establishes a new individual and corporate income tax credit for contributions made to student tuition organizations to provide scholarship and tuition grants to ELL pupils. Additionally, the bill contains a conditional enactment for the Group B weight increase in FY 2006-2007.

The Governor indicates in her veto message that S.B. 1198 includes uncapped corporate tuition tax credits that would have negative fiscal consequences to the state General Fund.

federal monies; deposit (H.B. 2005/S.B. 1062) – VETOED

Retroactive to May 1, 2005, requires any unrestricted federal monies received May 1, 2005 through June 30, 2006, to be deposited in the state General Fund to be used for the payment of essential government services.

In her veto message, the Governor states her reasons are the same as those set forth in prior veto messages for similar legislation. Prior messages state that subjecting federal funds to appropriation would unnecessarily impose bureaucratic reporting requirements that burden state agencies.

appropriation; budget stabilization fund (H.B. 2006/S.B. 1061) – VETOED

Retroactive to July 1, 2005, appropriates \$313,836,600 from the state General Fund in FY 2005-2006 to the Budget Stabilization Fund (BSF).

In her veto letter, the Governor states that any effort to place money in the BSF must be part of the state budget package, therefore it is premature to make this appropriation.

state annual financial report; format (H.B. 2186) – VETOED

Requires the Director of the Arizona Department of Administration (ADOA) to submit a copy of the state's itemized annual financial report to the Legislature. The report must itemize and separate federal monies from state monies.

APPROPRIATIONS COMMITTEE (Cont'd.)

In her veto letter, the Governor states that this legislation requires ADOA to alter its financial transaction report in a costly and inefficient manner. She also states that the estimated cost of this reporting requirement is over \$750,000 and the bill does not include an appropriation to cover this additional expense.

court settlements; JLBC; attorney general (H.B. 2191) – VETOED

Requires the approval of the Attorney General (AG) and the Joint Legislative Budget Committee (JLBC) to settle claims that involve a consent decree, a claim for which a monetary amount is not prescribed or a claim that involves a change in a statutory funding formula. It also requires that the AG notify the JLBC at least monthly of any claim in which outside counsel has been appointed to represent the state. It stipulates that the AG and the JLBC have sole authority for settlement of these claims.

In her veto letter, the Governor states that this legislation constitutes an unwarranted encroachment by the Legislature into the affairs and discretion of the Office of the AG.

appropriation of federal monies (H.B. 2650) – VETOED

Grants the Legislature the authority to appropriate noncustodial federal monies and requires the Legislature to specify the purpose for which the federal monies are to be used. It allows the Legislature to make a lump sum appropriation for any unanticipated federal monies that may become available while not in session but requires the Joint Legislative Budget Committee to review in advance the expenditure of monies from the lump sum appropriation.

In her veto letter, the Governor states that she continues to oppose legislative efforts to appropriate or condition the spending of federal funds.

school facilities board; budget reconciliation. (H.B. 2875) – VETOED

Retroactive to May 16, 2006, repeals the authority of the School Facilities Board (SFB) and local school districts to enter into lease-to-own transactions for new school construction, including any refinancing or refundings. Retroactive to July 1, 2006, states that the Legislature does not intend to fund payments on any lease-to-own transactions for new school facilities entered into in FY 2006-2007.

Retroactive to July 1, 2006, appropriates \$86,283,500 in FY 2006-2007 from the state General Fund to the Building Renewal Fund.

Retroactive to July 1, 2006, makes several changes to the SFB building renewal formula for FY 2006-2007.

In her veto message, the Governor indicates that she vetoed the bill in accordance with the budget agreement. She also cited her current objections to the building renewal changes are the same as delineated in her vetoes on the same issue that occurred in 2003, 2004 and 2005. The Governor's concern in each of those veto messages centered on the potential adverse impact on the state's ability to defend or favorably litigate the ongoing building renewal lawsuit.

APPROPRIATIONS COMMITTEE (Cont'd.)

FIRST SPECIAL SESSION

VETOES

ELL; SEI models; budget requests. (H.B. 2002/S.B. 1002) – VETOED

Appropriates approximately \$2.6 million in FY 2005-2006 and \$31.4 million in FY 2006-2007 from the state General Fund for English Language Learner (ELL) programs and administration. The bill creates the eight-member Arizona English Language Learners Task Force to develop and adopt research based models of structured English immersion and requires school districts and charter schools to submit budget requests for the newly created Arizona Structured English Immersion Fund and the Statewide Compensatory Instruction Fund. Establishes a new individual and corporate income tax credit for contributions made to student tuition organizations to provide scholarship and tuition grants to ELL pupils with a cap of \$50 million for the corporate income tax credits. Additionally, the bill contains a conditional enactment for the Group B weight increase in FY 2006-2007.

In her veto message, the Governor states that the legislation does not satisfy the requirements of the court's order in *Flores v. State of Arizona* and that the inclusion of tuition tax credits for private schools falls outside of the call of the special session.